

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

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STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 DODE-00 PA-04

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 6324

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

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E.O. 11652 N/A

TAGS: EFIN, EEC

SUBJ: EC COMMISSION DECLARATION TO THE COUNCIL

ASKING FOR URGENT MONETARY MEASURES

REFS: A) EC BRUSSELS 7360 (PARA 4 AND 5) (1973)

B) EC BRUSSELS 0369

1. SUMMARY. IN A STRONGLY- WORDED STATEMENT TO THE
EC COUNCIL, RELEASED TO THE PRESS ON JANUARY 24 BY

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EC VICE PRESIDENT HAFERKAMP, THE COMMISSION ASKS THE
MEMBER STATES TO TAKE URGENT MONETARY MEASURES TO

ENABLE THE COMMUNITY TO FACE DANGERS WHICH, IF NOT AVERTED, WILL BECOME EXTREMELY SERIOUS. THE COMMISSION EMPHASIZES LACK OF COMMON POLICIES AMONG THE MEMBER STATES AND THE POSSIBILITY THEY WILL ADOPT HIGHLY DISRUPTIVE UNILATERAL MEASURES. IT URGES THEM TO AVOID OUTBIDDING EACH OTHER THROUGH PROTECTIONIST MEASURES-- PARTICULARLY COMPETITIVE DEVALUATIONS. THE STATEMENT CALLS FOR MORE EFFECTIVE CONSULTATION ON EXCHANGE RATE POLICIES, INCREASED SHORT-TERM CREDIT FACILITIES, MOBILIZATION OF RESOURCES FROM INTERNATIONAL CAPITAL MARKETS FOR USE IN A EUROPEAN FRAMEWORK, AND AN EARLY OPINION FROM THE MONETARY AND CENTRAL BANK GOVERNORS COMMITTEES ON NEW RULES GOVERNING THE PRICE OF GOLD IN TRANSFERS BETWEEN MONETARY AUTHORITIES. (COMMENT FOLLOWS SEPTEL.) END SUMMARY.

2. THE COMMISSION STATEMENT CALLS UPON THE COUNCIL TO FACE WHAT IT DESCRIBES AS THE DETERIORATION ALREADY SUFFERED AND THE DANGERS WHICH THREATEN. NOTING THE VULNERABILITY OF EUROPEAN COUNTRIES IN ENERGY SUPPLIES, THE STATEMENT SAYS THAT RAPID OIL PRICE INCREASES HAVE RENDERED INEVITABLE A DETERIORATION IN TERMS OF TRADE SO MASSIVE AS TO HAVE A PROFOUND EFFECT ON LEVELS OF PRODUCTION AND EMPLOYMENT IN THE MEMBER STATES. MOST DISTURBING, ACCORDING TO THE COMMISSION, IS THAT THE GROWING INTERDEPENDENCE OF EUROPEAN ECONOMIES HAS NOT BEEN ACCOMPANIED BY COMMON POLICIES THAT WOULD MAKE THEM LESS VULNERABLE TO DISTURBANCES FROM OUTSIDE THE COMMUNITY. IN THESE CIRCUMSTANCES MEMBER STATES MAY BE LED TO ADOPT UNILATERAL MEASURES THAT HAVE INCALCULABLE POLITICAL AND ECONOMIC REPERCUSSIONS.

3. ACKNOWLEDGING THAT IN TROUBLED TIMES MEMBER STATES WILL ACCORD DIFFERING PRIORITIES TO ECONOMIC OBJECTIVES, THE COMMISSION ACCEPTS THE INEVITABILITY OF DIVERGING RATES OF EXCHANGE. IT ASSERTS, HOWEVER, THAT THESE DIVERGENCIES MUST NOT BE AGGRAVATED THROUGH UNCLASSIFIED UNCLASSIFIED

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INTRODUCTION OF PROTECTIONIST MEASURES, PARTICULARLY COMPETITIVE DEVALUATIONS. WHATEVER THEIR EXCHANGE RATE REGIMES, MEMBER STATES MUST CONSULT EACH OTHER EFFECTIVELY ON EXCHANGE RATE POLICIES AND SHOULD CONTINUOUSLY REVIEW THE EVOLUTION OF EXCHANGE, RATES, INTEREST RATES, RECOURSE TO INTERNATIONAL FINANCIAL MARKETS, AND THE USE OF RESERVES.

4. THE COMMISSION'S DECLARATION CALLS FOR REINFORCING ACTION IN THE FOLLOWING THREE WAYS: A) IMMEDIATE

AVAILABILITY OF INCREASED SHORT-TERM CREDIT FACILITIES
ALONG THE LINES PROPOSED BY THE COMMION (REF A);
B) ESTABLISHMENT WITHOUT DELAY OF RULES AND PROCEDURES
FOR MOBILIZING RESOURCES FROM INTERNATIONAL CAPITAL MARKETS
FOR USE IN A EUROPEAN FRAMEWORK; C) FORMULATION BY THE
MONETARY AND CENTRAL BANK GOVERNORS' COMMITTEES OF AN
OPINION ON THE EVENTUAL MODIFICATION OF RULES GOVERNING
THE PRICE OF FOLD IN TRANSACTIONS BETWEEN MONETARY
AUTHORITIES QUOTE BOTH WITHIN THE COMMUNITY AND IN THE
INTERNATIONAL SPHERE END QUOTE. (NOTE: DESPITE THIS
WORDING, A HIGH-RANKING COMMISSION OFFICIAL HAS ASSURED
US THAT THE INTENT OF THE COMMISSION IS TO UNFREEZE THE
USE OF GOLD ONLY FOR INTRA-COMMUNITY TRANSACTIONS.)

5. THE COMMISSION'S DECLARATION CLOSES BY SAYING THAT
THE ABOVE MEASURES COVER A LIMITED AREA IN WHICH
IMMEDIATE ACTION IS ESSENTIAL. THEY WILL HAVE TO BE
SUPPLEMENTED BY OTHER MEASURES ON WHICH THE COMMISSION
WILL PRESENT PROPOSALS AT THE APPROPRIATE TIME.
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